

Corporate Watch

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Corporations and War - Special Double Issue

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Private Power Partnerships



It has all the makings of a Tom Clancy bestseller. The government plans to sell a stake in its top-secret defence laboratories – currently working on technology to enable people to live on the moon (anyone remember Ben Elton's *Stark?*). The buyer? – a shadowy American organisation, with ex-presidents and prime ministers as special advisors, that has invested millions of dollars for the Bin Laden family and Saudi royalty.¹

The deal, announced on 5th December, involves the US based private equity firm the Carlyle Group acquiring a 33.8% stake in the MoD owned research organisation QinetiQ, and is likely to send conspiracy theorists the world over wild. The Carlyle Group has already been accused of exerting undue influence over defence policy in the US. The group's involvement in defence research in the UK raises an array of questions concerning potential conflicts of interest and the ever increasing influence that the US is exerting over UK defence policy.

The QinetiQ company was formed in July 2001 from the greater part of the Defence Evaluation and Research Agency (DERA), as part of the MoD's plan to partially privatise the industry (something even the Tories didn't think of trying). The company included the bulk of the MoD's non-nuclear research, technology, and test and evaluation establishments.

Although the MoD originally intended to float the company on the stock exchange, market conditions led them to instead seek a public-private partnership (PPP). The MoD will receive between £140-150 million for the transaction and plans to sell its entire stake in QinetiQ within 3-5 years, probably through stock

market flotation.

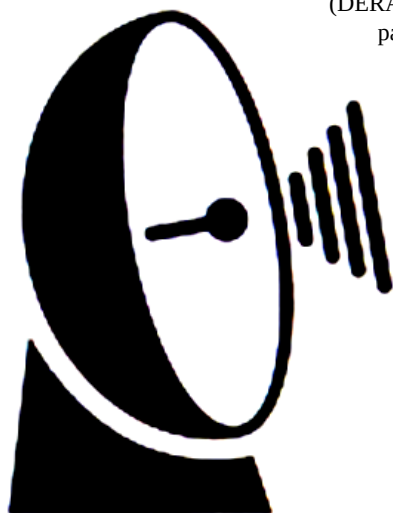
The Carlyle Group is certainly extremely well connected. It is one of the world's largest venture capital groups and is chaired by former US Defense Secretary Frank Carlucci. The numerous former politicians on its payroll include George Bush Sr and his former Secretary of State James Baker; John Major; former chairman of the US Securities and Exchange Commission Arthur Levitt; the former Philippines President Fidel Ramos; and the former Thai Premier Anand Panyarachun. Carlyle's headquarters on Pennsylvania Avenue in Washington DC, midway between the White House and the Capitol Building, reflect the group's position at the very heart of the Washington establishment.

The group was formed in 1987 by a small group of executives including David Rubenstein, a former Jimmy Carter aide. Since then the group has fared exceedingly well and currently manages funds of more than \$13.9 billion. Investors have included George Soros, members of the Saudi royal family and the wealthy Saudi Bin Laden family, who insist that they long ago severed all links with their notorious relative, but nevertheless withdrew their investment at the request of Carlyle in the wake of September 11.²

Despite defence only constituting 7% of the group's investment, in 2001 Carlyle was the 11th largest defence contractor to the US Department of Defence (DoD). Last year George W's administration faced questioning over its support for the Crusader Advanced Field Artillery System, a \$12 billion weapons program being built by United Defence Industries (UDI), owned by Carlyle. In September 2001, the US Army signed a \$665 million contract to develop the system and in January 2002 George W signed a defence appropriation bill which included \$487 million for the program. This was despite the Pentagon National Defence Panel rejecting the program as inappropriate for modern warfare as far back as 1997. The deal allowed Carlyle to float UDI on the stock exchange. The timing of the float – a couple of months after September 11th – drew criticism that the group was cashing in on terrorism.

As concerns about the links between the White House and the Carlyle Group continued to grow, George Bush Sr (who reportedly has an equity stake in Carlyle) and his relationship with the group also came under scrutiny. 'Bush has to seriously consider the propriety of sitting on the board of a group that is impacted by his son's decisions' argued the Center for Public Integrity.³

Unsurprisingly, George W also has historical links to Carlyle. In 1990,



he was appointed to the board of a Carlyle-owned airline food business called Caterair, which the group eventually sold at a loss. After he became Governor of Texas, he was responsible for appointing several members of the board controlling the investment of Texas teachers' pension funds. A few years later the board decided to invest \$100 million of public money in (you guessed it!) – Carlyle.⁴

Critics are concerned at the degree of insider influence Carlyle executives may exert: Peter Eisner, managing director of the Center for Public Integrity, argues, 'It should be a deep cause for concern that that a closely held company like Carlyle can simultaneously have directors and advisors that are doing business and making money and also advising the president of the United States... The problem comes when private business and public policy blend together. What hat is former president Bush wearing when he tells Crown Prince Abdullah not to worry about US policy in the Middle East? ... It's a kitchen cabinet situation, and the informality involved is precisely a mark of Carlyle's success.'⁵

The announcement that Carlyle would be acquiring a stake in QinetiQ immediately raised concerns that national defence research may be subjected to increasing influence from overseas interests, notably the US arms lobby. Fiona Draper from the trade union Prospect, which represents scientists at QinetiQ, pointed out that 'in the past at least, they have had investors from 'interesting' parts of the world, shall we say' she also asserted that 'given Carlyle's fairly opaque structure, there must be concerns over whether undue influence may be brought to bear that may not be in Britain's interest.'

There also concerns that QinetiQ, which acts as an



left to right; James Baker, George Soros, John Major

independent advisor to the government on defence, should not be allowed to judge any tendering involving companies in which Carlyle has money invested.⁶

The government has tried to allay these fears, arguing that 'there will be robust safeguards to prevent conflicts of interest.'⁷ Just like there are in the US, no doubt.

'The Bush family, in particular, seems to have a big problem keeping their personal piggy bank and national politics and their international foreign policy separate' *Greg Palast*

¹ Doward, J. (2002) For sale to the highest bidder: Britain's secret weapons labs, *The Observer*, 15/9/02 <http://education.guardian.co.uk/Print/0,3858,4501260,00.html> ; Parkins, K. (2002) The Al-QinetQ Network, available from keithpp@hotmail.com .

² *ibid*; Carlyle Group website: www.thecarlylegroup.com ; Hoovers (2002) The Carlyle Group: Company Capsule, www.hoovers.com/premium/profile/6/0,2147,42166,00.html

³ Doward, J. (2002) For sale to the highest bidder: Britain's secret weapons labs, *The Observer*, 15/9/02 <http://education.guardian.co.uk/Print/0,3858,4501260,00.html> ; www.bushnews.com/bushmoney.htm

⁴ Burkeman, O. & Borger, J. (2001) The ex-presidents' club, *The Guardian*, 31/10/01.

⁵ *Ibid*.

⁶ Pank, P. and agencies (2002) MoD rejects fears over defence sell-off, *The Guardian*, 5/9/02; Doward, J. (2002) For sale to the highest bidder: Britain's secret weapons labs, *The Observer*, 15/9/02 <http://education.guardian.co.uk/Print/0,3858,4501260,00.html>

⁷ BBC (2002) US firm buys stake in UK defence labs, 5/12/02, <http://news.bbc.co.uk/1/low/business/254683.stm>



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War and corporations

a brief primer

As the military machine gears up for another war it seems worth taking a closer look at the links between business and conflict. Corporations were born out of the wars of colonisation and today the relationship between military expansion and companies remains.

Corporations - a bloody birth

The first corporate charters were awarded by governments in the 16th century. Essentially corporations were private extensions of states which enabled the parent country to exploit trading opportunities obtained by conquest and to deal with competition from other colonial powers and indigenous people. For example, from the 17th century onwards the East India Company was Britain's main tool in the conquest and subsequent exploitation of India; the company hired its own army to gradually conquer India, opening up natural resources for exploitation and obtaining captive markets for British manufactured goods.

More bombs are good for business

The outbreak of the Second World War paradoxically rescued many countries from the great depression of the 1930s. Between 1942 and 1945, the US economy grew by an annual average of 7.7 per cent - more than any other time that century. Growth during war is a product of increased government spending on infrastructure and arms, leading to increases in production and workforce. Though the effect may be short term - wars risk burdening a nation with inflation and debt - military success can bring economic dominance in the long term, as can be seen with the US after WWII.

Arming for war

Political instability and military threat lead to increased military spending by governments, ultimately benefiting their defence companies. The annual 'defence' budget for the USA will hit \$396bn (£249bn) in 2003; that of the UK will hit £35bn. Instability also leads to increased orders from around the world as governments arm in anticipation of war.

As war becomes increasingly technical, electronics corporations have begun to diversify into defence contracts. The 2000 list of the 100 biggest arms companies included names more familiar from consumer electronics such as Mitsubishi Electric, Sagem, NEC, Toshiba and Motorola.

The McArmy is on its way

Military spending is the direct link between war and corporations but the relationship does not end there. As US Defense Secretary William Cohen put it prior to a speech at Microsoft Corporation in 1999. 'The prosperity that companies like Microsoft now enjoy could not occur without having the strong military we now have.'

When a hostile government is toppled and one more favourable to US and neoliberal policies installed, it creates a range of money-making opportunities for corporations. Often natural resources are the first target. Increasingly multinationals seek to gain control of resources such as deposits of ores and precious stones, forests for logging and oil reserves during times of instability; for example through bribes to local governments or rebel forces.

A recent report from the World Watch Institute showed how wars over natural resources like coltan - a mineral that keeps mobile phones and other electronic equipment functioning - diamonds, timber and other rare materials have killed or displaced more than 20 million people and are raising at least \$12bn (£7.6bn) a year for guerrillas, warlords and repressive governments around the world. As the report's author Michael Renner commented, 'People are dying every day because consumer societies import and use materials irrespective of where they originate'.²

President Blair speaks...



But globalisation now means poor countries weakened by war have much more to offer than natural resources. A low wage economy without adequate workers' rights is the ideal site for multinationals to manufacture goods for export back to the West. A country also offers millions of potential consumers. After the troops have left, the marketeers from Coke and Pepsi move in to claim their share of the spoils.

Neoliberalism - like it or lump it!

Ultimately as JW Smith has pointed out; 'It is the military power of the more developed countries that permits them to dictate the terms of trade and maintain unequal relationships.' The US under the guise of the WTO or IMF can back up their trade agreements and rulings with fines and sanctions, but ultimately it is military force which underwrites them. Often the timing of military exercises and the location of the US fleet are used to intimidate certain countries into toeing the line.

Military power is also needed to deal with the inequities of globalisation. As General AM Gray, former commandant of the US Marine Corps, pointed out as long ago as 1990, threats to the US will originate from the, 'underdeveloped world's growing dissatisfaction over the gap between rich and poor nations,' jeopardising 'our access to vital economic and military sources.'

So events such as the attacks of September 11th fall into a wider pattern. Neoliberal policies, propagated through corporations, backed up through military power, lead to an inevitable backlash and consequent increase in military activity. Meanwhile, as one US foreign exchange analyst commented, 'The stronger the US retaliation for 11 September, the larger the jump in the value of the dollar will be.'

Blood on everyone's hands

The implication of these connections is quite shocking - if our economic system relies on and feeds off war and violence, not only the corporations but all Westerners, as material beneficiaries of that system, are complicit in the bloodshed. The Kuwaiti oil we burn, the Angolan diamonds we buy for our fiancées, the Congolese coltan in our mobile phones, bought from a company that also makes military electronics - all implicate us in the violence that underpins corporate capitalism. Only by recognising these connections and attacking indiscriminate consumption as well as the corporations that feed it, can we follow through to attack the roots of war.

Reference

2 Coltan etc <http://www.worldwatch.org/pubs/paper/162/press.html>

Oil and War

Milan Rai

author *War Plan Iraq: Ten Reasons Against War on Iraq* (Verso, 2002)

Is the projected war on Iraq intended to reinforce US domination of the energy resources of the Middle East? This explanation has such force that the Daily Telegraph featured a rebuttal by a former speechwriter for President Bush, David Frum. Frum, now a resident fellow at American Enterprise Institute, argued in late October that 'Those Americans who worry most about oil tend to oppose action against Saddam, because they worry about the effects an Iraq war would have on Saudi Arabia.' The former editor of the Wall St Journal went on: 'Listen to the retired officials and distinguished public servants who have criticised President Bush's Iraq policy - the Brent Scowcrofts and the James Bakers, the Anthony Zinnis and the Laurence Eagleburgers - and you will hear that word 'stability' over and over again. 'Stability' means oil.'

Frum dismissed the arguments that the war on Iraq would be for 'access to oil': 'America can already freely purchase all the oil it wants. There has not been a credible threat to access to oil supplies since the Arab embargo of 1973-74 and there is no credible threat to access today. Saddam wants to sell more oil, not less.'

The war would not be 'for cheaper oil' - 'a \$12-\$15 price [per barrel of oil] would close down the larger part of America's domestic production and drive the country's dependence on oil imports up from 50 per cent toward the two thirds or three quarters mark'.

So far Frum is persuasive. He begins to wobble in the closing stages of his argument, however, when he argues that the war would not be 'for oil contracts'. The speechwriter asks rhetorically, 'why would any government - and especially one as cynical as Mr [Alan] Simpson [MP] believes America's to be - fight a war widely expected to cost \$100 billion to gain contracts worth \$40 billion'. \$40bn being Frum's estimate of the value of the Iraqi oil contracts currently held by Russian oil companies. \$40 billion is 'only a little more than half the gross state product of Arkansas,' Frum points out. Does Alan Simpson MP 'really imagine that any president, no matter how inebriated, would risk the lives of American soldiers - and his own political future - for that?'

There are two issues here - the value of Iraqi oil to US corporations, and the question of imperial cost/benefit analysis. Taking the second question first, throughout history imperial powers have expended more in wars of conquest and subjugation than could be earned from the colonies acquired or subdued. The US wars in Indochina are a staggering example of how disproportionate economic costs can be relative to perceived material benefits. The costs of empire are borne by society as a whole, while the benefits of empire are enjoyed by the influential few. Therefore, in general, for those who make policy - who share interests and viewpoints with those who hold domestic power - it is entirely rational to use the resources of society to secure the interests of the wealthy and powerful, even if expenditure far exceeds projected returns. Costs are socialised, benefits are privatised. That is the reality of our 'free market' economy.

Turning to the question of material benefit, there is one significant omission from Frum's article: Iraq's oil reserves. Iraq possesses the second largest proven oil reserves in the world after Saudi Arabia. The world's proven oil reserves are roughly 1,000bn barrels of oil. Iraq's proven reserves total 112bn barrels, over a tenth of all known oil supplies. As the Economist pointed out a few days before Frum's article, 'The big prize is control of the country's oil reserves.' While UN sanctions forbid foreigners from investing in the oilfields, 'that has not stopped firms rushing to sign contracts in the hope of exploiting fields when sanctions are lifted.' Oil companies from France, China, and India, even Royal Dutch/Shell have signed deals with Baghdad. 'Lukoil, a



Russian giant, has an enormous field holding down over 11 billion barrels of oil; the firm plans to invest \$4 billion over the lifetime of the field to develop it.'

The contracts are generous: analysts at Deutsche Bank estimate that plausible rates of return are 'of the order of 20%'.

Oil from the North Sea costs \$3 to \$4 a barrel to produce. According to John Teeling, 'head of one of the few western companies to admit to working in Iraq', Iraqi oil could cost as little as 97 cents per barrel to produce: 'Ninety cents a barrel for oil that sells for \$30 - that's the kind of business anyone would want to be in. A 97% profit margin - you can live with that,' says Teeling.

The *Economist* remarks, 'All of this must be bad news for those excluded from the party: the Americans.' Figures in the US oil industry insist that a new regime would tear up existing contracts, while the head of the Iraqi National Congress, an umbrella opposition group, has openly declared that 'American companies will have a big shot at Iraqi oil' - in the event of regime change. As the *Economist* points out, 'It is hard to imagine that the American giants would not find some way to get a piece of the action in Iraq - or 'Klondike on the Shatt al Arab' as some call it - post-Saddam.'

Iraq has always been a key player in the Middle East oil market, and was the original source of Middle Eastern oil. In fact, when Standard Oil of California secured the first Western oil concession in Saudi Arabia in 1932, a much bigger and more powerful consortium was on the scene to try to block the deal - the Iraq Petroleum Company (IPC). The British-dominated IPC did not believe that oil would be found in Saudi Arabia (the general consensus of opinion at the time), and they already had more oil than they knew how to handle in Iraq, so they allowed the US a toe-hold in the Arabian peninsula.

The IPC, made up of the fore-runner companies to BP, Shell, Total of France, and Exxon, actually suppressed news of oil discoveries in Iraq and held down oil production by various devices in order to keep prices up. These restrictive practices, begun in the 1930s, continued into the 1960s, as the US Senate Subcommittee on Multinational Corporations found in 1974. An internal IPC survey document from 1967 made clear that the company had discovered vast oil reservoirs, but had 'plugged these wells and did not classify them at all because the availability of such information would have made the companies' bargaining position with Iraq more troublesome.'

Following a modest nationalisation law in 1961, which removed IPC's oil rights in those areas in which it was not actually producing oil, an official in the US State Department concluded that 'A fairly substantial case could be made (particularly in arbitration) that IPC has followed a

'dog in the manger' policy in Iraq, excluding or swallowing up all competitors, while at the same time governing its production in accordance with the overall world-wide interests of the participating companies and not solely in accordance with the interests of Iraq'. Andreas Lowenfeld noted that 'This of course has been one of the principal charges of the government of Iraq against IPC'.

The conflict between the corporations and the government came to a head in 1972, when Iraq nationalised the property of the IPC. After a painful battle, the IPC finally signed the nationalisation agreement on February 28, 1973, receiving compensation from Baghdad. Now, the surviving members of the IPC cartel, three of the world's largest public companies, BP, Shell, and ExxonMobil, have indicated that they may exploit the fall of Saddam Hussein with a fight for their old possessions in Iraq, arguing that that the compensation/nationalisation deal they agreed to in 1973 was signed under duress. This could present an incoming Iraqi government with a huge legal compensation case at a very awkward moment.

Professor Thomas Walde, formerly the principal UN interregional adviser on oil and gas law, has observed of the oil companies, 'If I were their adviser, I would develop this into a bargaining chip with the new government. It would play a role in the race for getting new titles.'

So there are great prizes at stake, both in terms of contracts for reconstructing the Iraqi oil industry, and for developing new concessions in the original source of Middle Eastern oil - with phenomenal profits on the horizon. There are other prizes also.

In 1958, British Foreign Secretary Selwyn Lloyd summarised British interests in the Gulf thus:

(a) to ensure free access for Britain and other Western countries to oil products produced in states bordering the Gulf;

(b) to ensure the continued availability of that oil on favourable terms and for sterling; *and to maintain suitable arrangements for the investment of the surplus revenues of Kuwait;*

(c) to bar the spread of Communism and pseudo-Communism in the area and subsequently beyond; and, as a pre-condition of this, to defend the area against the brand of Arab nationalism under cover of which the Soviet Government at present prefers to advance. (Emphasis added.)

The physical supply and pricing of oil were central concerns, true, but so also was the investment of Kuwait's share of oil profits in British financial markets. Declassified US documents note that 'the UK asserts that its financial stability would be seriously threatened if the petroleum from Kuwait and the Persian Gulf area were not available to the UK on reasonable terms, if the UK were deprived of the large investments made by that area in the UK and if sterling were deprived of the support provided by Persian Gulf oil.'

This is not a war for oil. It is a war to control the profits that flow from oil.

Milan Rai is the author of *War Plan Iraq: Ten Reasons Against War on Iraq* (Verso, 2002), available for £10 from Arrow Publications, 29 Gensing Road, St. Leonards on Sea, East Sussex, TN38 0HE.



BANKSY

War is Business, Business is War

Dave Whyte, University of Leeds

'It was not until each country got attacked that they said , 'Maybe Winston Churchill was right.' Maybe that lone voice expressing concern about what was happening was right' (Donald Rumsfeld justifying a pre-emptive strike against Iraq, August 2002)

One of the most bizarre features of the various propaganda efforts in the preparation for the latest all out assault on Iraq is the frequent bandying around of references to WWII figures. Whilst politicians and media sources in the West frequently compare Saddam Husein with Hitler, the Iraqi leader himself has been quoting speeches by Winston Churchill¹. Bush, also having been compared to Hitler by the Saudi² and Iraqi press³ - and perhaps more famously in the west by German Justice Minister Herta Daeubler-Gmelin⁴ - is a known Churchill obsessive, with a bust of the British war leader in pride of place in the Oval Office. All the indications are that Bush is desperate to attract comparisons between himself and the recently anointed 'greatest Briton in history'.

Those who know anything about the origins of the Iraqi nation know precisely how closely our greatest statesman is bound to its history. It was Churchill who, as Secretary for War and Air, was in charge of the military control of Baghdad and Basra when the region's natural resources were carved up between Britain and France after WWI. The British occupation was far from popular, and required brutal suppression of the local people. Another British war hero, Arthur 'Bomber' Harris, referring to British blanket bombing of Kurds and Arabs in Iraq in 1920, bragged:

'They know what real bombing means, in casualties and damage; they know that within 45 minutes a full sized village can be practically wiped out and a third of its inhabitants killed or injured.'

The villagers' crime was that they dared to object to the imposition by the British of a bogus royal family. When we consider that this 'regime change' imposed by the British was undertaken explicitly to guarantee British companies' control of the oil spoils that lay beneath the desert, Rumsfeld's appropriation of the Churchillian tradition is wholly legitimate. History repeats itself indeed.

Of course, the historical narrative that seems to dominate current war-mongering hype in the West is not that of the brutality of British economic imperialism or the advancement of British corporate interest between the wars. A far more common narrative in the Western press has been the consistent reference to Saddam as the new Hitler. And more often than not, such remarks are made in the context of the Halabja massacre at which at least 5,000 Kurds and Iranians were massacred by chemical gas bombing. It is possible to argue Churchill equally deserves comparison with the butcher of Baghdad for suppressing anyone who got in the way of the empire. Indeed it was Churchill who famously instructed that no mercy be shown to the Kurds and Arabs in southern Iraq:

*'I do not understand this squeamishness about the use of gas. I am strongly in favour of using poison gas against uncivilised tribes.'*⁶

But another, more accurate historical comparison can be found in the connections between the forces that sustained and provided impetus to



both Saddam's and Hitler's regimes. Both regimes pursued a policy of genocide. More than this, it was a policy that was actually only made possible with the support of western corporations. The attacks on Halabja required French mirage fighter planes and artillery sold to them by South African and Austrian corporations. Between 1980 and 1988, Iraq was the largest retail buyer of arms in the world, supplied by both Soviet and Western arms manufacturers.⁷ In just 5 years, the Reagan and Bush (snr.) administrations granted 771 export licences to Iraq, most for 'dual technology' supplies which had a military use.⁸ Some had a chemical weapons use, such as VX gas and the drug pralidoxime. US firms also shipped to Iraq biological materials including bacillus anthracis (the organism that causes anthrax), West Nile fever germs, clostridium botulinum (the agent that causes botulism poisoning), salmonella and e-coli.⁹ The UK 'arms to Iraq' inquiry which implicated Matrix Churchill hardly scratched the surface.

An astounding array of western corporations lined up to profit from building Saddam's chemical and biological armoury. One report, published in 1990 by the Simon Wiesenthal Centre¹⁰, collated evidence that had already been published in different sources. The report documents a total of 207 western firms from 21 countries implicated in production of chemicals and missile parts sold to the Iraqis for illegal poison gas and nerve gas warfare. And this is only the companies that were caught! Amongst those firms are some household names: Daimler-Benz; Phillips Petroleum; BP (Germany); Siemens; United Steel and Strip Corporation; Hewlett Packard and a subsidiary of Fiat. After the Gulf War in 1991, members of the US armed forces filed a class action in Texas indicting US companies who had supplied Iraq with the technology to create chemical and biological weapons. Among the companies named were Bechtel, M.W. Kellogg, Dresser Industries and Interchem Inc.¹¹

The close relationship between western capital and Hitler's Nazi regime

is perhaps less widely documented. But the equipment and technical resources required to send millions to the gas chambers by the Nazis was also supplied by western corporations. Edwin Black's excavation of the role of IBM reveals the astounding truth of how the US corporation developed the sorting machines capable of identifying, processing and the leading to their slaughter the victims of the concentration camps. Without this technology, it is unlikely that the Nazis would have been capable of killing 6 million. And unless they had used Hitler's Germany as a fertile testing ground, it is also unlikely that IBM would have emerged to dominate the IT market in the 20th century.¹²

In 1946, a British court in Hamburg tried and sentenced to death two representatives of a German corporation for supplying to the Nazi regime for use against civilians, the chemical Zyklon B. They claimed lack of awareness of the use to which the chemical would be put. This is a legal precedent that at the very least raises questions about the legality of western firms arming Iraq with chemical and biological agents. Some argue there are similar grounds for legal action against the corporations that continue to provide governments with chemical weapons.¹³

Despite the claims made by the supporters of neo-liberal 'turbo-capitalism', there is nothing 'natural' or 'inevitable' about the global march of capitalism. Neither is there any popular support for the paralysing model of development enforced by the World Bank/IMF. In fact the degree to which opposition exists is starkly demonstrated by the reliance of western corporations upon military force to sustain and open up 'free' markets for them. The intimate, indeed mutually necessary, relationship between business and conflict, always treated like some kind of secret affair, is now well and truly out of the closet. This is obvious to anyone who has watched any US television news in recent years. Currently the coverage on all of the US network news channels of the potential war on Iraq is juxtaposed with a constant reporting of the rise and fall of stocks in Wall Street and in the NASDAQ. Business news and war propaganda are given constant blanket coverage to the point that after a few minutes viewing, they become almost indistinguishable. Forbes Business magazine run a show on Fox News Network on Saturday mornings. A recent headline debate on this show asked the question: 'Would it be better for the stock markets if we bombed bin Laden or attacked Iraq?' The conclusion to the debate was the consensus amongst the array of prominent business 'experts' that since bin Laden would be more likely to launch another terrorist attack on the US and therefore inflict a sudden shock on the markets, that the US should go for al Qaeda first and then turn its attention on Iraq. The experts all nodded sagely and agreed that Saddam, despite Iraq's oil reserves, was less able to inflict permanent damage on the markets. The Forbes on Fox anchor tied up the programme by pointing out: 'I guess we are going to get both of them in the long run - hitting both of them makes good business sense.' It is a position with which Churchill would no doubt have agreed wholeheartedly.

1 *Dawn International*, Internet Edition 12 August, 2002 (<http://www.dawn.com/2002/08/12/int1.htm>)

2 Anti Defamation League, press release, New York, 24 September

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4 *The Washington Times online*, 20 September 2002.

5 cited in Cockburn, A and Cockburn, P (1999) *Out of the Ashes: the resurrection of Saddam Hussein*, New York: HarperPerennial. It was this blanket bombing technique, developed in its infancy in Iraq, that used to full effect against the fleeing and defenceless people of Dresden in 1945. The blanket bombing combined preliminary high explosive bombing sorties to remove the roofs from buildings, followed by targeted bombing of phosphorous devices into houses, factories, offices, schools and hospitals aimed at spreading fire as rapidly as possible. It is thought that between 150,000 and 200,000, mainly elderly people, children and women were slaughtered in three weeks; a casualty rate that dwarfed the death toll exacted in Hiroshima and Nagasaki.

6 Pilger, J (2002) *The New Rulers of the World*, London: Verso.

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8 Gonzalez, H (1992) *Statement of the Chairman to the US House of Representatives Committee on Banking, Finance and Urban Affairs*, Washington, 27 July.

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11 Berstein, D (1998) *Made in America*, *San Francisco Bay News*, 25 February.

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13 Timmerman, K, 1990, *The Poison Gas Connection* (see footnote 10)

don't BUY their WAR



"The de facto role of the US armed forces will be to keep the world safe for our economy and open to our cultural assault. To those ends, we will do a fair amount of killings."

Major Ralph Peters, US Military

Consumerism and war are inextricably linked.
Saturday 30th November is International Buy Nothing Day.

Find out more at: www.uhc-collective.org.uk

The Invisible Handout Of The Market

Defence companies and government not quite getting the hang of free trade Pippa Gallop

Among the many curiosities at last month's Confederation of British Industry conference in Manchester was the verbal attack on Patricia Hewitt, who was forced to defend the government's policy of open procurement for a £2.9 billion contract for two new aircraft carriers for the Royal Navy. The contract, to be decided in January, will be awarded either to BAe Systems, still regarded as a British company, or Thales, regarded as a French company. Digby Jones, the CBI's director-general, accused Ms Hewitt of 'living in cloud cuckoo land', claiming the open procurement policy was exposing UK companies to unfair competition. 'We are operating on a completely different set of rules to everyone else,' he said. How quaint to see a voice of big business suddenly yearning for the days when you could keep companies neatly packaged into national borders.

The emergence of global arms companies sits very uneasily with the state-centred concept of international politics which still dominates military thinking. 'National Security' goes, by its very nature, against the grain of globalization, relying as it does on a view of the world as a collection of independent states acting in their 'national interest'. It is virtually the only area of trade which is excluded from World Trade Organization agreements. Yet arms companies are becoming globalized in just the same way as others, with their 'home' governments supporting them, and promoting them abroad. Some arms companies, such as BAe Systems, started life as nationalized enterprises, giving them a head start when competing for contracts in their 'home country'. This is what Digby Jones is so keen to defend. As in other sectors, the glaring contradiction between liberalisation and trying to keep arms companies on a national footing has led to a strange public-private hybrid treatment of arms companies by governments, which, like the meshing of public and private in other sectors, has led to massive injections of taxpayers money which ultimately ends up in the pockets of corporate shareholders.

There are three ways in which governments convert taxes into profits for arms companies, and they are generally interconnected: firstly by buying weapons for their own armed forces; secondly by developing foreign policy favourable to opening new markets, and thirdly by helping companies to offload their costs onto the taxpayer.

Buying British

The British government's claims to have an open procurement policy are quite consistent with its pro-free-trade stance on other matters, but BAe Chairman's Richard Evans' privileged position as being able to 'see Blair on request' would certainly put other companies at a disadvantage, and in 2001 it was reported that nearly 85% of the MoD's procurement went through British companies, most of which are somehow connected to BAe Systems.

The rationale behind supporting BAe Systems as a British company has now become absurd, as it is now only 45% British-owned, and its largest shareholders are US-based, but relations between arms companies and the British government are so good that this doesn't seem to matter. The well-oiled revolving door barely stops turning: Sir Charles Masefield, Vice Chairman of BAe Systems, has been through twice. Formerly an employee of Airbus Industrie, in 1994 he was requested by the British



Pigs in Space anti-Enron campaign from www.peace-action.org

government to return to the UK to take over responsibility for the UK's international government to government relations on all defence exports. His BAe biography says that 'In this role he reported to the Secretary of State for Defence and also had direct access to respective Prime Ministers, John Major and Tony Blair,' which can't have done BAe any harm when he put his industry hat back on again. Former Conservative Defence Minister Lord Freeman is Chairman of Thales plc and Director of Thales S.A., Thales being the second largest 'defence' supplier to the UK government. In September of this year, former defence secretary Michael Portillo became a non-executive director of BAe Systems. This may yet turn out to be one of the rare occasions when the politician turns out to benefit more than the company though, as BAe's share price fell by 11p that day. The House of Lords has quite a number of other members acting as consultants, shareholders and directors of various defence companies – see <http://www.parliament.the-stationery-office.co.uk/pa/ld/ldreg/reg01.htm> for more details.

France is at least more upfront about its connections, with Thales S.A. being 33 per cent owned by the French government.

However, the defence procurement market is relatively open in the EU overall, where over 50 per cent of defence equipment is bought from overseas, compared to the US, which only procures three per cent from foreign suppliers. Looking at the number of connections the US government has with arms companies, it isn't hard to see why: for example, Dick Cheney's wife Lynne was a director of Lockheed-Martin, until her husband's appointment as Vice-president made it a little embarrassing to continue. Donald Rumsfeld was a director of Gulf Stream Aerospace (now a subsidiary of General Dynamics), and the Deputy Secretary for Transportation, Michael Jackson, was vice president of Lockheed Martin. For further connections – and there are plenty – see <http://www.peace-action.org/enroninspace/bilked.html>.

Lobbying for new foreign markets

Just how high a priority arms exports are for the British government was made abundantly clear earlier this year, when Tony Blair had only an hour to meet with India's Prime Minister on the subject of peace with Pakistan and still managed to include a plug for BAe Systems Hawk jets in the conversation.

Acts of omission, where the government fails to make watertight export bans to repressive regimes and areas of conflict, are even more common,

for example this year's outrage over BAe's supply of F16 parts to Israel, which the government pressed ahead with because to refuse to do so would have 'serious implications' for defence relations with the US never mind that F16s have been having some fairly serious implications for Palestinians. This particular case illustrated globalisation par excellence, with the UK government having no control over its own industry, due to the US's hold over future joint contracts and other trade and defence links.

Offloading costs onto taxpayers

The extent to which arms companies are being enriched at our expense seems to be ever increasing. Fewer and fewer functions are actually performed by the companies themselves, as they can outsource more and more to the government and educational institutions, which provide much of the funding, infrastructure and maintenance. Arms companies even have their own branch of government: DESO, the Defence Export Services Organisation (DESO), is an integral part of the UK Ministry of Defence. Its mission is 'to maximise legitimate UK defence exports in co-ordination with industry'. Its new chief operating officer, Alan Garwood, was head of MBDA, Europe's largest missile manufacturer, until his appointment. According to Saferworld, DESO, combined with other methods of promoting exports (Use of MoD personnel and use of embassies and defence attachés) costs taxpayers £69 million.

In May this year, yet another government body was set up for the benefit of the arms industry: the Aerospace Innovation and Growth Team, to be headed by none other than Sir Richard Evans himself.

As has been well-documented elsewhere, arms companies, as well as others, can offload their risks onto the taxpayer through the Export Credit Guarantee Scheme (ECGD), so that they can sell to impoverished countries without worrying about whether they will be paid or not.

Yet more cunning is the education scam, where companies pretend to be benevolent saviours of under-funded education systems, whilst getting their research done at a bargain price, and creaming off top students to work in their companies. This is already happening at universities across the UK, (for example, see http://www.businessweekly.co.uk/news/view_article.asp?article_id=6837 Business Weekly, 10th August 2002) for information on Boeing's collaborations with Sheffield, Cranfield and Cambridge universities and <http://www.cranfield.ac.uk/baesystems/scp/news.htm> for information on BAe Systems' collaboration with Cranfield) but it is still not enough to satisfy Sir Richard Evans, who is horrified that EU member states spend less than half the figure for the US on funding aerospace research and development. In the EU 55% is funded by industry (and presumably 45% by taxpayers) while in the United States 35% is funded by industry (and presumably 65% by the taxpayer). The taxpayer therefore foots the bill for research which ultimately benefits only companies and their shareholders, and may be used for lethal ends.

Overall, the Oxford Research Group estimates that the British government spends £4,600 per year for each of the 90,000 jobs that are dependent on arms exports (0.3% of UK employment), and in addition spends £12,300 per year subsidising each job in the wider UK defence industry.

All this is very far from free trade, and suggests that the arms industry would not sustain itself at all without repeated cash injections from government – not only that, but the cash often comes from budgets other than defence, as when money intended for higher education funds industry research. It would appear that the the government is so in thrall to the arms companies that it will happily pour money into their pockets, whatever the cost to taxpayers and public services, with no thought for the harm done by the weapons they sell.

Further information

'The Subsidy Trap' Report, by Paul Ingram & Dr. Ian Davis, Oxford Research Group, 2001. Summary at: www.oxfordresearchgroup.org.uk/1programmes-armstrade-reportoutline.htm

Campaign Against the Arms Trade's Alternative Annual Report 2001 for BAe Systems www.caat.org.uk/companies/BAES2001.html -

People and Planet's Campaign to Kick The Arms Dealers Off Campus www.peopleandplanet.org/armstrade/sponsorship.asp

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Propaganda Diary

Desert Rats

Preparations for the 1991 Gulf War included one of the most ambitious propaganda campaigns ever staged. An unprecedented coalition of PR companies including Hill & Knowlton and the Rendon Group, together with lobbyists and lawyers was assembled to persuade a sceptical American public to go to war.

Now a new movie, 'Live from Baghdad', exposes some of the untruths involved in the Gulf War propaganda campaign. The TV film made by CNN subsidiary, HBO, gives a semi-fictionalised account of the experiences of two CNN journalists covering Operation Desert Storm. In the course of the story the case of Nayirah Al Sabah is retold.

Nayirah was the Kuwaiti girl who testified before Congress that Iraqi soldiers had pulled babies from incubators in Kuwait City Hospital and left them on the floor to die. This story was repeated endlessly by politicians and in the media and President Bush Senior cited the incubator story to help build support for military action. It was only after the war that Nayirah was exposed as the daughter of the Kuwaiti ambassador to the U.S. She had never visited the hospital. She was coached on giving testimony by Hill and Knowlton Vice President Lauri Fitz-Pegado and starred in a video news release the firm produced.. H&K, then the world's largest PR company, may have billed the Kuwaiti government over \$10m during the Gulf War.

Committee for the Liberation of Iraq

Like most fat cats under pressure, members of the Washington political establishment have turned to the techniques of public relations to solve their problems in communicating their message on Iraq.

The Committee for the Liberation of Iraq (CLI), a new Washington 'think tank' aims to do for this campaign what the infamous Citizens for a Free Kuwait did for the Gulf War of 1991. The Committee which intends to 'promote regional peace, political freedom and international security by replacing the Saddam Hussein regime' is headed by Randy Scheuneman, proprietor of PR and lobby shop, Orion Strategies. Previously, Scheuneman served as National Security Advisor to Senate Majority Leaders Trent Lott and Bob Dole. He was best known for drafting the 1998 Iraq Liberation Act which authorized \$98m for the Iraqi National Congress, the loose coalition of Iraqi dissidents set up by the Rendon Group, another PR company, and now mistrusted even by the CIA.

Other CLI executives include Bruce P. Jackson, vice president of Corporate Strategic Development at Lockheed Martin, the well known humanitarian organization and coincidentally the world's largest arms manufacturer. Before that he was Chair of the Republican Party Platform's subcommittee for National Security and Foreign Policy. CLI Treasurer, Julie Finley, was a prominent Republican fund-raiser and worked with Jackson when he was president of the US Committee to Expand NATO. Jackson, Finley and Scheunemann already work together as officers of the Project on Transitional Democracies, another front group pushing to expand NATO.

The fourth member of CLI's executive board is Gary Schmitt who also works with Jackson at the ambitiously named Project for a New American Century (PNAC). PNAC exists to 'promote global American leadership' and advocates the development of new and better military technology in order to do so, including 'advanced forms of biological warfare that can 'target' a specific genotype. [this] may transform biological warfare from the realm of terror to a politically useful tool.'

PR companies claim diplomatic immunity

Meanwhile the diplomatic sparring between Saudi Arabia and the USA continues to grow. Most recently the House Committee on Government Reform has subpoenaed documents from Saudi's PR and lobbying representatives in the USA as part of their investigation into the alleged kidnapping of children born of mixed Saudi/US marriages.

The Saudi government claims that documents held by lobbyists Patton Boggs and PR firms Qorvis Communications and the Gallagher Group are protected as diplomatic materials under the Vienna Convention. Legal opinion is unclear over whether the flacks are entitled to diplomatic protection and this case may yet set a precedent, drawing the PR and lobbying industries even further into the already tangled world of international relations.

More hot air in the Middle East

Perhaps prompted by Saudi Arabia's recent fall from grace with the Bush administration, two more Arab states have hired PR assistance to help project a more positive image in America. The Kingdoms of Jordan and Morocco - two Arab states most friendly to the west - have hired Edelman PR Worldwide. The firm has been hired to conduct media relations, messaging and image building services, according to O'Dwyer's PR Daily.

Meanwhile the Zionist Organisation of America hired New Jersey-based MWW Group, in May this year, to conduct PR on their behalf. The ZOA, which was founded in 1897, sent a delegation to lobby the US State Department not to put pressure on Israel in its 'fight against terrorism'. They also urged the Bush administration to cut ties with Yasser Arafat and close PLO offices in the USA.

It's Official - Pentagon is Honest, says Spokesperson

Speaking to French television reporters, Pentagon spokesperson, Torie Clarke kept a straight face while explaining that, 'We try to put out news information in as straightforward and as credible a fashion as possible.'

She added: 'We always tell the truth.' Clarke, who is Assistant Secretary of Defense for Public Affairs, was previously General Manager of Hill and Knowlton's Washington DC branch, the office that arranged Nayirah Al Sabah's dubious testimony.

Sources

O'Dwyers PR Daily - www.odwyerpr.com

Committee for the Liberation of Iraq - www.liberationiraq.org

Project for a New American Century - www.newamericancentury.org



Genetix roundup

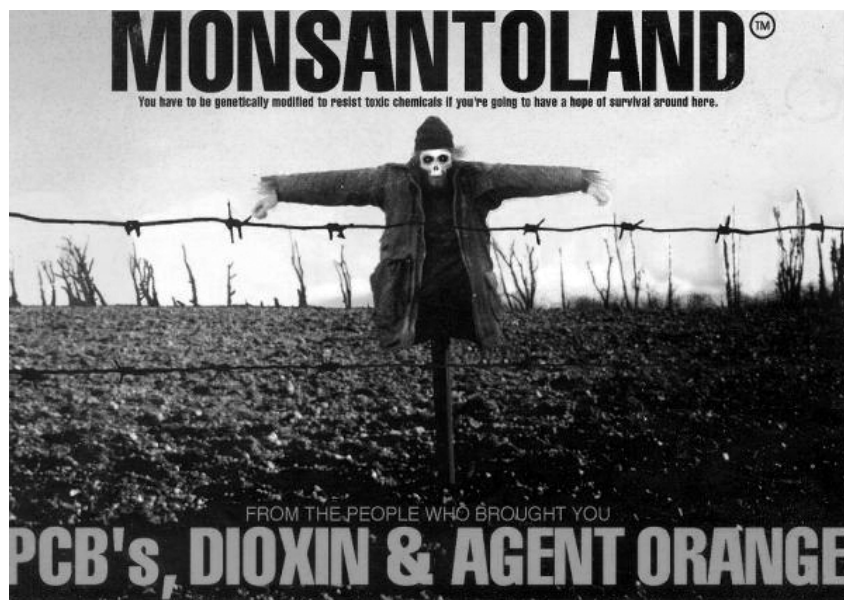
Soya Soya everywhere...

As Argentina tumbles further into financial crisis, an inspiring popular rebellion has been spreading across the country. The political space that has opened up out of the chaos has seen amazingly creative response. From the 'Trueque' barter network which 7 million people are using instead of money, to 'asambleas' - neighbourhood meetings based on consensus which have started to squat and develop social centres. Workers are occupying factories and self-managing their workplaces. The downside of this political chaos has seen multinationals running rampage, in particular our old friends, Monsanto.

Monsanto arrived in Argentina in 1996, seducing farmers with the promise of Roundup Ready soybeans. Pretty soon over 90% agreed to adopt the technology which gave Monsanto a higher take-up rate among farmers in Argentina than in the whole of the USA. Looking at the crude statistics since the adoption of GM crop technology, Argentina's total soya crop has doubled to 27 million tons. However, this growth in output is solely due to an increase in acreage under soybean cultivation. In fact, RoundUp Ready soybeans have had a 5-6% lower yield, and Argentina's farmers are now worse off.

Monsanto has not only infiltrated Argentina's agriculture, but is now totally transforming the Argentinean diet. While much of the soya produced in Argentina is exported, Monsanto is also flooding local markets full of desperate hungry people with GM soya, usually used for animal feed, for human consumption. The generous grain traders are also donating 1 tonne in every 1000 tonnes of Argentinean soya as food aid through a 'charity' programme called 'Soya Solidair'. This soya aid is everywhere, in homeless shelters and soup kitchens, and Monsanto is essentially being paid to distribute its soya - which it can't find a market for in Europe - to the poor of Argentina.

The irony of this all is that many Argentineans, even the left wingers,



see genetically engineered soya as their salvation. Soya animal feed is Argentina's main export, and its only way of generating foreign income. With the major presence of Monsanto, the Argentinean people have had little access to information about the health and environmental risks of GM crops. More than this, there must be a realisation that if Argentina does not want to repeat the cycle of debt and structural adjustment imposed on it by the IMF, it must break free from the corporations that are exporting its wealth and destroying its economy. A more sustainable and small scale agriculture that invests in the long term health of the environment must form a part of the solution.

Sources

1) 'Monsanto Earnings Down on Bad Debt' by Julianne Johnson. 23 July 2002. Agweb.com 2) Email from Craig Sams 'Re: Monsanto's Earnings Down on Bad Debt' on www.ngin.org 3) 'Genetically Modified Company' The Economist August 15 2002 4) 'Argentina is not a social laboratory it is a soya laboratory' by Javiera Ruillii 5) 'Why Argentina can't feed itself' Sue Brandford. The Ecologist. Oct 2002. 6) www.argentina.indymedia.org

Syngenta in Identity Crisis

Syngenta, the world's largest manufacturer of agrochemicals, third largest owner of plant biotechnology patents and third largest seed supplier, seems to be undergoing a bit of an identity crisis. To judge by its recent behaviour, the company seems to think it's turning into an NGO - or even a wing of government.

In November Andrew Bennett (former head of environment at Clare Short's Department for International Development until headhunted by Syngenta), pulled off a major victory for the company by gaining a place for the Syngenta Foundation (the company's charitable wing), on the governing body of the consultative group on the international agricultural research centres (CGIAR). CGIAR operates international agricultural research centres and seed banks whose mission statement is 'To contribute to food security and poverty eradication in developing countries through research, partnerships, capacity building, and policy support, promoting sustainable agricultural development based on the environmentally sound management of natural resources.' The appointment of the Syngenta Foundation has prompted fierce criticism from NGOs involved in CGIAR. They are angry at the lack of accountability shown by the organization, its increasingly pro-business, pro-corporate and pro-biotechnology policies, its failure to protect farmer rights and its failure to protect the material held in its gene banks from appropriation by corporations.

In late October Syngenta sponsored a meeting of scientists organised in India by the National Academy of Agricultural Sciences. The principle outcome of the meeting was a draft recommendation on guidelines for biotechnology regulators in developing and developed countries. A prominent theme of discussion - advocated by Dr M.S. Swaminathan one of the founders of the green revolution - was the potential for small scale farmers of organic agriculture with 'inputs' from modern biotechnology.

While these incidents provide no evidence of a change of stance by Syngenta, they do suggest a definite strategy. Unlike, say, Monsanto,

which is relying largely on bullying tactics backed up by the US government to push its GM agenda, Syngenta seems to be taking a more subtle, long-term, infiltration-oriented approach, co-opting the sustainable development agenda. It seems that by credibly establishing a 'charitable', 'public-interest' persona, specialising in GM issues, Syngenta wants to gain influence over opinion forming and policy-making, to be used in favour of the company's long-term interests.

New markets for GM crops

Currently commercial GM crops are only grown on a large scale in the USA, Argentina and Canada. Eager to break out of this bubble, GM crop companies are desperately seeking new markets. Following Monsanto-Mahyco's recent success in gaining approval for the commercial growing in India of its GM insect resistant BT cotton, Bayer CropScience's Indian seed company ProAgro is attempting to launch a GM mustard on to the Indian market. Their product is tolerant to Bayer's broad spectrum herbicide Liberty and incorporates hybrid breeding technology developed by Belgian company PGS, now also part of Bayer. Their application is currently being blocked by the Indian Council of Agricultural Research (ICAR) who are claiming that the crop has not completed a full round of independent field trials.

Whilst Bayer's plans in India appear to have been at least temporarily thwarted, in the Philippines Monsanto has finally succeeded in gaining approval for the commercial growing of GM insect resistant BT maize. This approval comes after a sustained PR campaign by the company, and within 24 hours of the announcement of a \$15-million grant from the USAID to build a new GM crops research centre in the Philippines. It also comes at a time when the Philippine government is facing enormous pressure from the US to co-operate in the war against terror.

Missing Plutonium Found in House and Garden Near Reading

In early 1999, Corporate Watch covered the case of Raymond Fox of Earley, near Reading who had been made dangerously ill, allegedly by pollution emanating from the old Shell petrochemicals depot behind his house. Drainage channels around the site sloped down to a point immediately behind the end of Fox's garden. When the plant life in Fox's garden began to wither following the washing down of the site in 1994, he became suspicious about the old depot. Fox discovered a drain at the very back of his garden unmarked on surveys and apparently constructed without planning permission. Soon after entering the drain to investigate he became extremely ill. Before long he was suffering seizures, convulsions and internal bleeding.

Shell denies any responsibility for the contamination of Fox's property and the mysterious drain, as does BP which owned the site at one time. Wokingham District Council (WDC), the local authority, also denies all knowledge of a problem. The discovery of radioactive materials on the site now suggests that other agencies may be responsible.

Fox has been unable to work due to his illness and his company Fox Building has long since gone bankrupt. Unable to obtain adequate treatment in the UK, he has had to go to Germany to receive detoxification treatment. Tests conducted by Dr Josef Kees in Germany revealed that Fox was poisoned by a wide variety of petrochemicals, pesticides and even radioactive materials.

More than four years later Ray Fox is still seeking justice and aims to take his case to the European Court. Independent environmental testing has now been conducted, however, and he at last has hard evidence of contamination on his property.

Dr Chris Busby of Green Audit and the Low Level Radiation Campaign has confirmed that Fox's property is contaminated with nuclear materials. Dr Busby collected and analysed samples from the house and garden.



His results show extraordinary levels of both plutonium and uranium. The plutonium was found to be 100 to 500 times background levels and more than five times higher than that found by tests near the Atomic Weapons Establishment at Aldermaston. The relative levels of different uranium isotopes indicated enriched uranium as used in nuclear reactors. Busby's report speculates that "solvent used for cleaning a nuclear reactor or some part of a reactor might carry the material and deposit it [on Fox's property] after a fire," and he concludes, "the house and land at 337 Wokingham Road, Reading are contaminated with uranium and plutonium which originated in a nuclear reactor."

Wokingham District Council have now commissioned their own tests in the area. WDC claims that the tests, carried out in partnership with the Environment Agency and National Radiological Protection Board, show only background levels of radiation in the area and have written to the local residents claiming that there is no significant pollution. They have not however tested Fox's property. He is currently denying them access while he pursues legal action against them in the European courts.

A spokeswoman for the district council said: "We took tests from the neighbours either side and in front of the property. So our tests are just showing there's no source of contamination in the area so there is no need for other residents to be concerned," she added.

Fox dismissed the Environment Agency report as a "pack of lies", adding, "there is an EC investigation and there will be criminal proceedings against Wokingham District Council."

Speaking at the Green Party's Autumn Conference in Lancaster, Busby commented, "Again and again people find leukaemia clusters where there are no nuclear power stations or obvious sources of a problem. The problem of Ray Fox makes it clear that a great deal of the contamination that exists in England is as a result of practices that have been kept secret."

Busby and Caroline Lucas MEP have recently met with Stephen Kaiser and Augustin Janssens, the head of radiological protection for the European Commission, who have agreed to investigate Fox's case.

World bank pulls out of controversial Romanian gold mine

The World Bank announced on Thursday that it is cancelling participation in the Rosia Montana opencast gold mine project in Romania. If completed, the project would be Europe's largest opencast gold mine, would displace around 2000 people and would turn a neighbouring valley into a 600 hectare unlined cyanide storage pond. (see <http://www.corporatewatch.org.uk/news/romania.htm> for CW's initial report on the project).

The project had come under fire from an international coalition of NGOs based on flaws in the project proposal and concerns about Gabriel Resources, the project sponsor. In an official statement, the International Finance Corporation (IFC – the arm of the World Bank responsible for this type of project funding) said that it had 'concluded that it is in everybody's best interest that we do not pursue discussions with the

company regarding IFC's involvement in the [Rosia Montana] project.'

Robin Hickson, Gabriel Resources' president, said the company fully intends to proceed without IFC support, using private debt and equity financing. The company approached the IFC, he said, primarily in the interest of gaining environmental and social assistance. However, the IFC had been expected to lend up to \$100m to the \$400m project, and it can be hoped that other lenders will follow suit and withdraw, suggesting Gabriel is now in more trouble than it is admitting to.

NGOs have expressed the hope that this decision represents a shift in World Bank policy to stop supporting projects which local communities oppose.

Good news for Burma

In Septmeber, Premier Oil decided to pull out of its operations in Burma, marking the end of a decade-long campaign by the Burma Campaign UK (BCUK). Premier was the largest investor in Burma, with a stake estimated at \$200m in a project to pipe gas from Burma's vast Yetagun offshore field. The company has faced heavy criticism for its role in propping up the brutal military dictatorship in Burma and for human rights abuses committed by pipeline security forces. Premier's decision to pull out of Burma marks the end of a decade long campaign The company had also received requests from Burma's pro-democracy leader Aung San Suu Kyi and even the British Government to pull out of Burma.

Premier's withdrawal from Burma is part of a \$670m restructuring deal in which the company's two largest shareholders, Petronas and Amerada Hess, will strip the company of its Burmese and Indonesian assets. John Jackson, Director of BCUK stated that "the demise and fall of Premier is a warning to any company thinking about investing in Burma – it's more trouble than it's worth." He also added "we've won a battle but not the war. The pressure needs to be tuned up on TotalFinaElf and Unocal, who are as guilty as Premier of propping up one of the most brutal regimes in the world."



The pressure certainly was turned up on Unocal later on in the week, when a federal appeals court in the US ruled that Unocal can be sued by the victims of atrocities committed by government soldiers in charge of security for the \$1.2 billion Yadana pipeline. This pipeline pumps gas from offshore fields in the Andaman Sea, through Burma into Thailand. Activists have alleged that the project involved the forcible relocation of villages, forced labour and other serious abuses, including rape and murder committed by government troops employed by the company to protect the pipeline's construction.

However if the atrocities happen to have occurred in one of Bush's ally states in The War Against Terror, it appears the story may be slightly different. With a blatant disregard for justice, the US state department last month asked a federal judge to dismiss a similar case against Exxon Mobil. The case had been brought by victims of abuses committed by Indonesian security forces in the Aceh province. And the reason for the state department wishing to dismiss the case? – that trying the case could harm George Dubya's anti-terrorist campaign by discouraging the co-operation of the Indonesian military and discouraging US investment there. The judge in the case has yet to rule on the request.

Check out www.freeburmacoalition.org for news of the continuing boycott of Suzuki

Fate of public services 'in the hands of unelected trade lawyers'

A report published this month by the World Development Movement reveals how control of significant parts of the UK services economy, including essential public services such as health and education, have been signed over to unelected trade lawyers at the World Trade Organisation (WTO) without any public or parliamentary debate as part of the General Agreement on Trade in Services (GATS).

WDM has attempted to reveal what the government will not – which sectors have already been partly or wholly signed up to GATS. Peter Hardstaff from WDM said, 'Since the UK signed up to GATS in 1994 it has not produced a single document fully explaining either what the UK is committed to or the implications of its commitments. We have been forced to do the government's work for it.'

Among the sectors that the report reveals have already been partially or wholly signed up to GATS are: health services, private education, rail maintenance, environmental (sewage and sanitation), retail, financial and banking services. Sectors currently being targeted in GATS negotiations for further opening to the free market include: postal services, broadcasting and communications, care homes, health care and education.

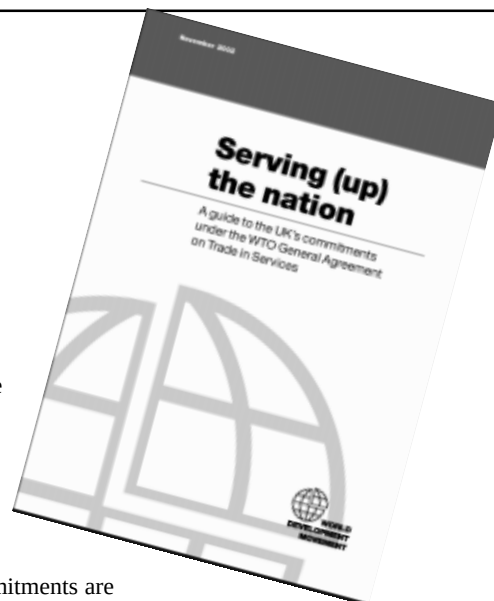
GATS has been described by the EC as 'first and foremost an instrument for the benefit of business'. It certainly isn't an instrument for the benefit of public service users. GATS rules govern the extent and nature of foreign companies' involvement in the delivery of services and limit the ability of governments to regulate the market in service sectors. Bringing rail maintenance and repair services back under some form of public ownership would breach the UK's existing GATS commitments. Planning regulations affecting the expansion of large supermarkets could be ruled an 'unnecessary barrier to trade' and overly 'burdensome' on business. The EU is currently trying to get poorer countries to commit to

'liberalising' water services, allowing mostly European transnationals to take over with the disastrous effects seen in Latin America, South Africa and elsewhere. Not only this, but GATS commitments are effectively irreversible – if 'liberalisation' doesn't work, a country can't take the sector back under its control.

Theoretically, public services are excluded from the scope of GATS, but this only applies to services 'supplied neither on a commercial basis nor in competition with one or more service suppliers'. The WTO Secretariat has specifically questioned whether, for example, the co-existence of public and private hospitals does not constitute competition.

Decisions are being made by unelected officials for the benefit of corporations, which could permanently bind public services into a globalised profit system without regard for the human cost. Isn't it time we slowed down on this?

To get involved in the last stages of the government's 'consultation' on GATS, contact WDM:
<http://www.wdm.org.uk/presrel/current/ukgatspublic.htm>
World Development Movement 25 Beehive Place, London, SW9 7QR



NATO expands... but at whose expense?

Pippa Gallop

November saw the first NATO summit to be held in a former Eastern Bloc country, and once again, thousands of people converged on Prague to protest against the organisation, both for its policies and its very existence.

NATO has been criticised for its lack of strategic role since the end of the Cold War, but its bellicose actions in the Balkans and Afghanistan have indicated that it is still dedicated to expanding the US sphere of influence in its new guise as the armed wing of corporate globalization. As US journalist, author, and free marketer Thomas Friedman stated: 'The hidden hand of the market will never work without a hidden fist - McDonald's cannot flourish without McDonnell Douglas, the designer of the F-15.'

During the summit, eight states were invited to join: Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia. Joining NATO is a goal of most Eastern European countries in the same way that joining the European Union is. But is this justified? Who will ultimately benefit from this arrangement?

NATO membership is a way of cementing one's stance as an ally of the US, with all the attendant implications. It is far from clear, however, what exact benefits it brings for the countries joining. Most explanations by governments hoping to join are vague mentions of 'stability' and 'security'. One fairly precise document on this subject is a study by the Employers Association of Bulgaria/The Centre for Liberal Strategies, which sets out the supposed economic benefits of joining NATO. It names increased defence spending, investment in infrastructure, and long-term rises in inward investment due to improved status and political characteristics needed to be admitted to NATO. But is an increase in defence spending really in the public interest, especially since most of the contracts go to Western arms companies such as McDonnell-Douglas, Lockheed-Martin, or Raytheon? Since 1996, there have already been \$78,073,314 worth of arms licenses and agreements between the US and Bulgaria. Not all of these will have been paid for by the Bulgarian taxpayer – NATO expansion is also heavily opposed by those who object to Western taxpayers paying part of the (extremely unpredictable and ever-increasing) costs – but even so, spending money on NATO-

compatible arms is a huge burden. For example, \$990,948,470 worth of arms licenses and agreements have been made between the US and Romania since 1996, and this for a country where I was told during a visit last summer that the hospitals were lacking something as basic as antidote to adder bites.

In order to cover the costs of the transfers, the West has developed a variety of schemes, including selling off second-hand weapons, offering 'no-cost leases' and negotiating offset agreements, which involve investing in the country or buying other products. These deals are perceived by central and eastern European countries as a means to stimulate foreign investment and trade. While offsets appear to reduce the financial burden on the purchasers by stimulating investment, the burden is instead shifted to Western taxpayers, and a corporate welfare scheme is created, whereby arms companies produce and make huge profits from subsidized weapons for other countries. The clear winners here are the arms companies, so it comes as no surprise that they are the biggest supporters of expansion. In April 1997, then-Lockheed Martin CEO Norman Augustine promised to support Romania's bid for NATO membership in return for the Romanian purchase of an \$82 million radar system from his company – this is about the level of subtlety of the arms industry's campaign for NATO expansion.

So is anyone else benefiting? Well yes. All the talk of stability is generally misleading, as it seems that NATO expansion may bring a regional arms race, but as long as we are talking of military stability and blind loyalty to the US, then it does have some relevance, because stability is a necessary precondition for certain things: Firstly, for the West to access markets, and secondly, particularly if we look at the location of aspiring NATO members, for transporting oil out of the Caspian Sea region and across to the fuel-hungry West. The list of members of NATO's Euro-Atlantic Partnership Council, and Partnership for Peace mostly consists of those countries through which Caspian oil may be transported.

As NATO takes care of the military aspect, another, less well-known institution takes care of the logistics of oil transportation: INOGATE (Interstate Oil and Gas Transport to Europe), a European Commission initiative, was launched in 1996. One of its forthcoming projects is the South-East European Line (SEEL), which would link the Romanian Black Sea Port of Constanta with Serbia's Pancevo refinery near Belgrade and Omisalj in Croatia.

Bringing these countries into NATO's fold is one way to ensure their dependence on and compliance with the demands of the West, whilst gradually moving the alliance south and eastwards in order to ensure the military control of all areas relevant to extracting and transporting oil and gas from the Caspian Sea region.

Book Review

SOME COMMON CONCERNS:

IMAGINING BP'S AZERBAIJAN-GEORGIA-TURKEY PIPELINES SYSTEM

PLATFORM, The Corner House, Friends of the Earth, Campagna per la Riforma della Banca Mondiale, CEE Bankwatch, Kurdish Human Rights Project.

This is an excellent exploration, focused on the AGT pipelines system, but also more generally about BP - a thoroughly deserving target for an in-depth study of corporate behaviour. The oil and gas pipelines proposed by BP and nine other companies would run for 1087 miles from terminals near the Caspian Sea, through Azerbaijan, Georgia and Eastern Turkey, ending at the port of Ceyhan on the Mediterranean, passing close to or directly through seven conflict zones on the way. The likely problems with the project include the exacerbation of climate change, seismic activity, an increase in corruption, human rights abuses and increased militarisation of the route, exacerbation of conflict, and the threat of explosions and leaks. Being used to breakneck-speed bullet-pointed horror stories about large infrastructural projects, at first I found myself chivvying this fascinating book along to reveal its key points. I rapidly became ashamed of my consumer-style expectation of instant

gratification, though, and began to feel the strands of the story coming together. The gradual unfolding of the narrative about the pipelines is essential in order to understand the magnitude of this project and for the likely problems to be fully dealt with. Since the pipelines haven't been built yet, it's a particular strength of the book that the likely effects of the project are explored in an extremely thorough and well-grounded way, which, as the book sets out to do, does indeed allow the reader to 'imagine' the pipelines system, without ever seeming speculative or far-fetched. If you think that a whole book about pipelines sounds excessive, think again. The magnitude, both of the physical scale of the project and of its likely effects, means that nothing smaller will do it justice. It's also much more than a pipeline project: it's a story about people, places and politics, which kept me gripped from start to finish. As a story, it has everything: action, war, intrigue, natural disasters, corruption, baddies... the only thing missing is the hero who stops the project going ahead. So, what are we waiting for?

Pippa Gallop



Babylonian Times

Babylon hath been a golden cup in the Lord's hand, that made all the earth drunken: the nations have drunken of her wine; therefore the nations are mad. Jeremiah 51:6-8

Philip Morris – smoke free zone

The American tobacco giant Philip Morris has turned its Australian headquarters into a smoke-free workplace, with specially ventilated smoking areas away from work zones.

This is quite a turn-around since 1995, when the company managed to be exempted from workplace anti-smoking laws in New York, after it threatened to move its headquarters out of the city. Philip Morris's corporate affairs director, Thomas duBois, quoted in the *Guardian*, seemed to be slipping slightly off-message on environmental tobacco smoke, 'It causes fatal disease, whether you're a smoker at Philip Morris or not.' So why do you sell the stuff?

Source – *Guardian*, 26/11/02

Corporate Antisocial Irresponsibility

At a time when it is fashionable for corporations and investment managers to talk of social responsibility, a new US mutual fund is proud of its political incorrectness. The Vice Fund <www.vicefund.com>, launched recently by Mutuals.com of Dallas, is deliberately investing in stocks such as tobacco, alcoholic beverages, gambling and military contracting. The fund's philosophy was expressed succinctly by the Washington Times: 'Markets rise and markets fall, but one thing never seems to change: drinkers drink, smokers smoke and gamblers gamble.' To which may be added: and the United States goes to war.

Source: Dirt Diggers Network: Digest No. 23, 14/11/02

Nike in free speech battle

Not, as you might expect, a story about the überbrand clamping down on opponents. Instead, Nike (poor abused political dissident that it is) is in fact fighting for its own 'right' to free speech, in a case which is making waves across US corporate law circles.

Back in 1998, Californian anti-Nike activist Marc Kasky filed a suit accusing the company of making false and misleading statements in the press when responding to criticism by activists of Nike's treatment of workers in a Vietnam factory. Kasky argued that Nike's statements amounted to false advertising and should be punished as such. Rather than defend the truth of its statements, Nike chose to argue that its comments were protected by US free speech legislation as 'part of a political debate'. They won. Kasky appealed. He lost.

Kasky then took the case to the California Supreme Court. In May this year, he won. In a US legal precedent, the court found Nike's statements to be 'commercial speech' – and therefore covered by legislation relating to false advertising. Nike is now appealing to the US Supreme Court.

The case has disturbed corporate lawyers, who hold that the judgement is ludicrous and means anything a company says is no longer entitled to free speech protection and companies are now afraid to say anything for fear of legal challenge. Nike has postponed publication of its annual Corporate Social Responsibility Report and other companies are expected to follow suit. Which all suggests they're used to telling rather a lot of porkies...

Meanwhile, the PR industry is getting itself in a bit of a mess. The Public Relations Society of America (PRSA - the main trade association) is backing Nike, aware that jobs and reputations could be at risk if they had to start telling the truth. On the other hand, Jack O'Dwyer, publisher of 'O'Dwyer's PR' trade publications, has come out saying PRSA is on the wrong side. He writes, 'Instead of siding with Nike, which refuses to defend the truthfulness of its statements about labour practices abroad...the PR groups should be demanding that accuracy be served.'

For anti-corporate activists, the case throws up a more basic and essential issue. Are corporations entitled to free speech protection, or,

Highway to Heaven

US PR firm Fenton Communications latest brief is to provide publicity for an odd intersection of two great American interests – evangelical Christianity and cars. This comes in the form of the Evangelical Environmental Network's 'What Would Jesus Drive?' campaign, designed to pressure car manufacturers to develop more fuel-efficient vehicles.

Rev. Jim Ball, of the EEN, believes Christians should junk SUVs and drive less-polluting vehicles that aren't as harmful to the environment and people's health. According to an EEN fact sheet, 'The Lordship of Christ extends throughout every area of our life. Nothing is excluded from His Lordship. This includes our transportation choices.'

EEN maintains the more fuel efficient cars would reduce the risk of global warming and cut America's reliance on 'imported oil from unstable regions'. The US car industry is taking EEN seriously - Ball has visited Detroit to meet with Ford CEO Bill Ford and executives from General Motors.

But the car manufacturers might not be so keen if they thought it through - surely Jesus would take public transport?

Source – O'Dwyer's PR Daily, 19/11/02

indeed, any human rights? US legal precedent effectively establishes corporations as possessing the same rights as real human beings. According to anti-corporate group Reclaim Democracy, the Kasky verdict 'presents a superb provocation to ... reclaim some of our tools for keeping capital and corporations subordinate to democracy'.

Whether Bush's increasingly hand-picked pro-corporate Supreme Court will see it like that is another question.

Sources:

Holmes Report 20 Oct 2002

Jack O'Dwyer's Newsletter, November 6, 2002

ibid, November 5 http://www.odwyerpr.com/members/1105comm_seideman.htm

www.colliershannon.com/documents/Villafranco-Jun02DM.pdf

http://www.reclaimdemocracy.org/corporate_accountability/

nike_aclu_corporate_speech.html

A longer version of this article, including more on corporate free speech, appears on the CW website at http://www.corporatewatch.org.uk/news/nike_free_speech.htm



The PRIVATE sector

Review:

PFI vs. Democracy, Melanie MacFadyean and David Rowland, Menard Press, 2002

Three pamphlets:

'The case of Birmingham's hospitals' ISBN 874320 31 4 £5

'School governors and the Haringey Schools PFI scheme' ISBN 874320 32 2 £5

'Selling off the twilight years: the transfer of Birmingham's homes for older people' ISBN 874320 33 0 £5

This series of pamphlets offers case studies which critique the implementation of the Private Finance Initiative (PFI) and similar schemes. The pamphlets do not focus on the internal issues of cost effectiveness, excessive profits for private companies and risk transfer, because, as the Foreword to the series notes, 'the government steadfastly refuses to enter into the debate'. Instead, they address the impact of private finance on local democracy, looking at the wider questions of public accountability and participation in the planning process for PFI and similar projects.

Each of the case studies looks at a particular scheme and the experience of a local group which attempted to question it. The key issues in each case vary: school governors concerned at having repair and maintenance budgets committed 25 years in advance, with possible negative effects on funds for other areas; a Community Health Council concerned about bed numbers and service provision; care home residents' families concerned about care standards and accountability under the Human Rights Act, which would not apply to a private care provider as it would to a council.

In each case, the groups were faced with

concealment (as when the crucial Best Value Review of care homes, which showed council provision beating private sector provision on every criterion but cost, was kept secret until leaked by a sympathetic councillor); deliberately confusing information (when they finally got information on the project, Haringey school governors were bombarded with higher mathematics and technical information even professionals among them described as 'gobbledegook') and attacks on their own legitimacy (the chairman of the NHS Regional Health Executive told Community Health Council members they should resign if they could not support PFI, 'the CHC must work within government policy not dispute it' – although the CHC is supposed to be an independent scrutiny body).

These pamphlets document the creeping corruption of local authorities by bad policy imposed from above. The officials themselves cannot bear the full responsibility – they are told that PFI is the only option – so the only way they can even attempt to provide services is by sacrificing local democratic accountability, hoodwinking concerned stakeholders and kowtowing to developers.

In general, this series of pamphlets is very accessible: the profusion of people and acronyms is sometimes confusing, but the processes are explained in a way that should be clear to readers without prior knowledge of the system. This level of detailed analysis and critique of private finance is enormously valuable and has been needed for a long time: PFI has largely slipped in on a piecemeal local basis with little discussion or understanding, let alone national debate. To be even better, these pamphlets should have appeared as a series of articles in the mainstream press two or three years ago, monitoring these schemes as they happened, to inform and strengthen national opposition to PFI. That is scarcely the authors' fault, however, so the best we can do is to make use of them now.

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Diary

January

Wed 1, New Years Day Anti-Hunt Demos Contact the Hunt Saboteurs Association to find your local group. 0845 4500727

Sat 18 – Sun 19, Mass Nonviolent Blockade of Northwood Military Base, London. To mark the anniversary of the first Gulf War. Info 0845 458 2564. www.j-n-v.org

Tue 21, No war on Iraq Parliamentary lobby at 2.30pm. The organisers will be producing a Lobby Information Pack and asking everyone to book a meeting with their MP on that day. If you can't attend, you can email her/him at: www.parliament.uk/commons/lib/alms.htm or write to: House of Commons, London SW1A 0AA.

Thu 23 – Tue 28, Another World Social Forum. 100,000 people are expected to converge on Porto Alegre, Brazil to talk about alternatives to the current social order. www.worldsocialforum.org

Wed 29, Lobby for Council Housing, Stop Privatisation. Rally 1-3pm Central Hall, Westminster, London. Organised by Defend Council Housing PO Box 33519, London E8 4XW. 020 7987 9989 info@defendcouncilhousing.org.uk www.defendcouncilhousing.org.uk

February

National Conference for Nappy Activists, Birmingham (date and venue to be confirmed shortly), creche facilities available. For more info contact Mary nappies@wen.org.uk

15 Don't Attack Iraq demonstration in central London from 1pm Organised by Stop the War Coalition 020 7053 2155 www.stopwar.org.uk

Ongoing war dates

Every Monday Anti-War Action organised by Arrow (Active Resistance to the Roots of War), opposite Downing St at 6pm. Contact: Milan Rai, on 0845 458 9571 milanrai@btinternet.com or David Polden 020 7607 2302. ARROW website: www.justicenotvengeance.org.

No war on Iraq Stop the War Coalition, is calling for an hour's protest at your workplace/ place of study etc on the day following an attack on Iraq. CND is also asking supporters to organise a central protest in whatever town/city you live at 6pm. If you live in London the protest will be outside Downing St at 6pm.

On the following Saturday, there will be a demonstration outside Downing St at 12 noon.

There will also be a protest opposite Downing St at 6.00pm on the day of the bombing, organised by London Region CND. Contact David Polden 020 7607 2302.